

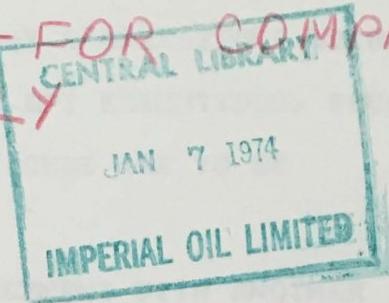
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The following announcement re sale of Esso Philippines Inc. was received from Exxon Corporation this morning and is forwarded for your information.

Public Affairs Department
December 22, 1973

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NEW YORK DEC 21/73 1550 VS

R LANDRY IMPERIAL OIL LTD TORONTO

THE FOLLOWING MATERIAL COVERS (AAA) A JOINT ANNOUNCEMENT IN MANILA
OF THE SALE OF ESSO PHILIPPINES INC TO THE GOVERNMENT-OWNED OIL
COMPANY STOP YOU ARE NOT TO ISSUE THE PRESS RELEASE FOR LOCAL
PUBLICATION STOP IF NEEDED THE PUBLIC STATEMENT (BBB) AND Q AND A
(CCC) MAY BE USED TO ANSWER MEDIA INQUIRIES

AAA ANNOUNCEMENT OF SALE: QUOTE

MANILA DEC 21 -- THE PHILIPPINE NATIONAL OIL COMPANY
(PNOC) TODAY ACQUIRED OWNERSHIP OF ESSO PHILIPPINES
INC. (EPI), AND ESSO'S MAJORITY INTEREST IN THE BATAAN
REFINING CORPORATION.

THE GOVERNMENT-OWNER PNOC PURCHASED FROM ESSO EASTERN
INC., A REGIONAL AFFILIATE OF EXXON CORPORATION AND
PARENT COMPANY OF EPI, ALL SHARES OF EPI AND SHARES
REPRESENTING 57 PERCENT OF THE EQUITY IN BATAAN
REFINING (BR). MOBIL OWNS THE OTHER 43 PERCENT OF THE
REFINING COMPANY SHARES.

THE TRANSACTION WAS COMPLETED WITH THE SIGNING OF
AGREEMENTS BY GERONIMO Z. VELASCO, PRESIDENT OF THE

NEWLY FORMED PNOC, AND T.E. WALLACE FOR ESSO EASTERN.

ESSO PHILIPPINES WAS RENAMED PETROPHIL, INC.

PETROPHIL WILL CONTINUE THE FIRM'S OPERATIONS WITH THE SAME PERSONNEL, EXCEPT FOR SIX EPI EXECUTIVES, FOUR AMERICANS AND TWO FILIPINOS. NEW COMPANY OFFICERS ARE TO BE CHOSEN.

THE TRANSACTION INCLUDED AN AGREEMENT WITH ANOTHER ESSO AFFILIATE TO PROVIDE CRUDE OIL TO PNOC IN THE VOLUMES IT WOULD HAVE DELIVERED TO BATAAN REFINING IF ESSO HAD RETAINED ITS INTEREST IN THAT FIRM.

PRESIDENT FERDINAND MARCOS IN A SHORT STATEMENT SAID IT IS THE INTENTION OF GOVERNMENT TO DISPOSE OF ITS HOLDINGS AS SOON AS THERE ARE PRIVATE FILIPINO ENTERPRISES WITH THE FUNDS AND THE CAPABILITY TO TAKE OVER FROM THE GOVERNMENT. ULTIMATELY, GOVERNMENT SHARES IN THE BATAAN REFINING CORPORATION ALSO WILL BE SOLD TO THE PUBLIC. THE SAME IS TRUE, HE SAID, FOR FILOIL, THE FIRST FILIPINO REFINERY FIRM, OF WHICH THE GOVERNMENT OWNS A MAJORITY OF SHARES.

IN THE MEANTIME, HE EMPHASIZED THE NEED FOR GOVERNMENT TO BE IN EFFECTIVE CONTROL OF FUEL AS A STRATEGIC MATERIAL.

HE ALSO POINTED OUT THAT MOBIL WILL REMAIN A PARTNER IN THE BATAAN REFINING CORPORATION.

WALLACE, WHO WILL REMAIN IN MANILA AS HEAD OF EXXON PETROLEUM AND CHEMICALS INC., A SUPPLY COORDINATION ORGANIZATION, STATED:

QUOTE ESSO, HAVING HAD LONG ASSOCIATION WITH THE PHILIPPINES, HAS BEEN ENCOURAGED BY THIS COUNTRY'S RECENT INDUSTRIAL AND ECONOMIC ADVANCES, INCLUDING THE

REALISM WITH WHICH THE GOVERNMENT AND ITS AGENCIES ARE FACING THE HIGHER COSTS OF ENERGY.

QUOTE HOWEVER, FOR BOTH THE COMPANY AND THE NATION, CIRCUMSTANCES HAVE SO ALTERED THAT MAJOR CHANGES IN ESSO' S ROLE IN THE PHILIPPINE OIL INDUSTRY WERE REQUIRED FOR ATTAINMENT OF BOTH NATIONAL GOALS AND ESSO' S OWN OBJECTIVES. THE NEGOTIATIONS LEADING TO PURCHASE BY PNOC HAVE BEEN CONDUCTED WITH COMPLETE CORDIALITY.

QUOTE IT IS TO ESSO' S SATISFACTION THAT PNOC IS ACQUIRING AN EFFICIENT COMPANY AND MAJORITY INTEREST IN ANOTHER, BOTH STAFFED BY SKILLED AND EXPERIENCED FILIPINOS. TO THOSE PEOPLE AND ALL WHO WORKED WITH US IN THE PAST, ESSO IS GRATEFUL FOR MANY YEARS OF REWARDING COLLABORATION, AND WE WISH THEM ALL POSSIBLE SUCCESS. UNQUOTE.

PNOC WAS ESTABLISHED BY PRESIDENTIAL DECREE ON NOVEMBER 9. IT IS EMPOWERED TO UNDERTAKE OIL EXPLORATION, ENGAGE IN IMPORT AND EXPORT OF CRUDE OIL AND PRODUCTS, AND ACQUIRE ASSETS AND INTERESTS FOR THE CONDUCT OF ITS BUSINESS.

PNOC ALSO HAS BEEN EMPOWERED BY DECREE TO CONTROL THE DISPOSITION AND DISTRIBUTION OF CRUDE OIL AND OIL PRODUCTS THROUGHOUT THE PHILIPPINES, IN ORDER TO ASSURE THEIR AVAILABILITY ON AN EQUITABLE BASIS.

ESSO' S OPERATIONS IN THE PHILIPPINES DATE FROM 1934, WHEN THE THEN SOCONY VACUUM COMPANY (NOW MOBIL OIL CORPORATION) AND STANDARD OIL COMPANY (NEW JERSEY) - NOW EXXON - ORGANIZED STANDARD-VACUUM OIL COMPANY (STANVAC). THIS FIRM WAS REORGANIZED IN 1962, WHEN THE COMPANY' S 28 BULK PLANTS AND MORE THAN 800

OUTLETS SERVE LUZON AND THE SOUTHERN ISLANDS OF THE PHILIPPINES, AND IN 1972 THE COMPANY HAD 18 PERCENT OF THE TOTAL PETROLEUM PRODUCTS MARKET INCLUDING GASOLINE, KEROSENE, JET FUEL, DIESEL OILS, FUEL OIL, LIQUEFIED PETROLEUM GAS AND ASPHALT. THE COMPANY ALSO MARKETS LUBRICANTS, GREASES, AUTO ACCESSORIES, AND INSECTICIDES.

THE BRC REFINERY AT LIMAY, BATAAN, FOR WHICH ESSO HAS HAD MANAGEMENT RESPONSIBILITY, WAS INAUGURATED IN 1961, WAS ENLARGED IN 1971 TO A CAPACITY OF MORE THAN 110,000 BARRELS DAILY, AND IS ONE OF THE MOST MODERN IN THE FAR EAST.

J.N. DULCE, WHO JOINED BRC IN 1959 AND HAS SERVED IN SEVERAL OF ITS MANAGEMENT POSITIONS, RECENTLY WAS NAMED REFINERY MANAGER, THE FIRST FILIPINO TO HOLD THAT POST. ESSO, WITH THE CONCURRENCE OF PNOC, IS TRANSFERRING ITS REFINERY MANAGEMENT RESPONSIBILITY TO MOBIL.

UNQUOTE

(BBB) PUBLIC STATEMENT FOR AFFILIATE USE IF REQUIRED.

QUOTE

TODAY'S JOINT ANNOUNCEMENT BY THE PHILIPPINE GOVERNMENT AND ESSO IN NO WAY AFFECTS THE COMMITMENT OF ESSO EASTERN AND ITS AFFILIATES TO CONTINUE TO PROVIDE QUALITY PETROLEUM PRODUCTS AND SERVICES IN OTHER COUNTRIES. HOWEVER, THE CHARACTER OF ESSO'S BUSINESS MUST CHANGE WITH THE TIMES. IT MUST ADJUST TO CHANGING CIRCUMSTANCES AND ENVIRONMENTS. ESSO WILL CONTINUE TO CONCENTRATE IT RESOURCES IN THOSE AREAS WHERE THE MUTUAL BEST INTERESTS OF ITS HOST COUNTRIES AND THE COMPANY ARE SERVED, AND IN WAYS COMMENSURATE WITH LONG-TERM WORLD ENERGY RESOURCES AND MARKET NEEDS OF

THE COUNTRIES IN WHICH IT OPERATES.

ESSO'S SALE OF ITS PHILIPPINE ASSETS TO THE PHILIPPINE NATIONAL OIL COMPANY IS CONSISTENT WITH THE STATED DESIRES OF GOVERNMENT FOR GREATER FILIPINO PARTICIPATION IN KEY ELEMENTS OF THE PHILIPPINE ECONOMY. THE SALE MARKS THE END OF ALMOST 40 YEARS OF VARIOUS FORMS OF ESSO PETROLEUM OPERATIONS IN THAT COUNTRY. ESSO PHILIPPINES, UNDER ITS NEW OWNERSHIP AND NAME, WILL CONTINUE OPERATIONS WITHOUT INTERRUPTION AND THE BATAAN REFINING CORPORATION WILL CONTINUE UNCHANGED AS A SEPARATE COMPANY. ESSO WISHES INITIAL AND CONTINUED SUCCESS TO THE NEW PHILIPPINE NATIONAL OIL COMPANY.

UNQUOTE.

(CCC) BACKGROUND QUESTIONS AND ANSWERS.

QUOTE QUESTION ONE: WHAT ARE THE MAIN TERMS OF THE EXPECTED SALE? ANSWER ONE: THE SHARE OF ESSO PHILIPPINES AND THE ESSO EQUITY SHARE OF THE BATAAN REFINING CORPORATION WERE SOLD FOR CASH. WE BELIEVE THAT IF THE AMOUNT OF SALE IS MADE PUBLIC KNOWLEDGE, SUCH DIVULGENCE SHOULD COME FROM THE PHILIPPINE GOVERNMENT. WE CAN SAY, HOWEVER, THAT THE ARRANGEMENTS DID INCLUDE A CRUDE OIL SUPPLY CONTRACT AND A CRUDE OIL TRANSPORTATION CONTRACT BETWEEN THE PHILIPPINE GOVERNMENT AND OTHER EXXON AFFILIATES.

Q2: WHEN IS THE EFFECTIVE DATE OF SALE?

A2: THE SALE TAKES PLACE ON THE DAY OF PRESIDENT MARCOS' ANNOUNCEMENT, WHICH IS ALSO THE DAY OF CONTRACT SIGNING.

QUESTION THREE: WHO IS THE BUYER?

ANSWER THREE: THE BUYER IS THE PHILIPPINE NATIONAL

OIL COMPANY (PNOC). FORMATION OF PNOC BY PRESIDENTIAL DECREE WAS ANNOUNCED ON NOVEMBER 9. THIS NEW COMPANY IS EMPOWERED TO UNDERTAKE OIL EXPLORATION, ENGAGE IN IMPORT AND EXPORT OF CRUDE OIL PRODUCTS, AND ACQUIRE ASSETS AND INTERESTS FOR THE CONDUCT OF ITS BUSINESS.

Q4: WHAT DID PNOC BUY IN THE WAY OF PHYSICAL ASSETS?

A4: THE SALE IS ESSENTIALLY A TRANSFER IN OWNERSHIP OF SHARE CERTIFICATES. THIS TRANSACTION WILL TRANSFER TO PNOC ALL OF ESSO'S 57 PERCENT EQUITY IN THE BATAAN REFINING CORPORATION, WHICH OWNS AND OPERATES A 110 THOUSAND BARREL-PER-DAY REFINERY SITUATED AT LIMAY, BATAAN. THE SALE WILL ALSO TRANSFER OWNERSHIP OF ALL OF THE SHARES OF ESSO PHILIPPINES INC. THAT COMPANY HAS DISTRIBUTION AND MARKETING FACILITIES INCLUDING ITS PANDACAN TERMINAL, APPROXIMATELY 28 BULK PLANTS AND ASSOCIATED DELIVERY EQUIPMENT IN VARIOUS PARTS OF THE COUNTRY, AND OVER 800 RETAIL OUTLETS, APPROXIMATELY 320 OF WHICH ARE OWNED BY THE COMPANY.

Q5: HOW DOES THE SALE AFFECT MOBIL'S INTEREST IN THE BATAAN REFINERY?

A5: THE SALE HAS NO EFFECT ON MOBIL'S 43 PERCENT OWNERSHIP IN THE BATAAN RREFINERY. ESSO, WITH THE CONCURRENCE OF PNOC, IS TRANSFERRING ITS REFINERY MANAGEMENT RESPONSIBILITY TO MOBIL.

Q6: IS A CRUDE OIL AGREEMENT PART OF THE CONTRACT? IF SO, WHAT ARE TERMS? HISTORICALLY, WHAT VOLUME OF CRUDE HAS ESSO SUPPLIED TO THE PHILIPPINES? WHAT IS CURRENT VOLUME?

A6: YES, ESSO INTENDS TO CONTINUE SUPPLYING CRUDE OIL TO THE COMPANY FOR A PERIOD OF TIME.

(IF ASKED, MAY SAY 3 YEARS). ESSO HAS BEEN SUPPLYING

APPROXIMATELY 35 THOUSAND BARRELS OF CRUDE PER DAY FROM THE PERSIAN GULF OVER THE PAST YEAR.

Q7: WHAT ARE ESSO'S SALES VOLUMES AND MARKET SHARE IN THE PHILIPPINES BY MAJOR PRODUCT GROUP?

A7:

1972

	SALES VOLUME MB	MKT POSITION PERCENT
MO GAS	2849	18.5
KEROSENE	572	18.9
DISTILLATES	2428	20.9
FUEL OIL	2634	11.9
TOTAL INLAND	10,018	17.2
BUNKERS	496	23.5
TOTAL MKT SALES	10,514	17.5

Q8: DOES THE SALE MEAN THAT THE FAMILIAR ESSO OVAL WILL DISAPPEAR FROM THE PHILIPPINES?

A8: THE ANSWER TO THE QUESTION IS NOT A SIMPLE YES OR NO. FIRST, THE SALE ANNOUNCED DEALS ONLY WITH ESSO'S PETROLEUM INTERESTS. ESSO'S CHEMICAL OPERATIONS, A SEPARATE COMPANY, WILL CONTINUE WITHOUT CHANGE. WITH THE EXCEPTION JUST INDICATED, HOWEVER, IT IS TRUE THE PRESENCE OF THE FAMILIAR ESSO OVAL WILL BE SUBSTANTIALLY LESSENED, FOR EXAMPLE, AT SERVICE STATIONS. THE TRANSITION WILL TAKE SEVERAL MONTHS, HOWEVER, AND THE CONTRACT OF SALE BETWEEN ESSO AND THE PHILIPPINE GOVERNMENT PROVIDES FOR A ONE-YEAR TRANSITION PERIOD FOR PNOC TO CHANGE-OVER TO ITS OWN TRADEMARKS.

Q9: WILL ESSO CONTINUE TO SUPPLY U.S. MILITARY FORCES IN THE PHILIPPINES?

A9: AT THE PRESENT TIME, SALES TO U.S. MILITARY FORCES IN THE PHILIPPINES ARE NOT BEING MADE DUE TO THE ARAB EMBARGO IN EFFECT IN THE MIDDLE EAST. EXXON INTERNATIONAL DOES HOLD CONTRACTS WITH THE DEFENSE FUEL SUPPLY CENTER (DFSC), WASHINGTON, D.D., WHICH WERE AWARDED AS A RESULT OF COMPETITIVE BIDDING. ESSO PHILIPPINES HAS BEEN OPERATING UNDER INFORMAL ASSIGNMENT IN FULFILLING THE PRIME CONTRACTS BY SUPPLYING FROM BRC PRODUCTION.

TWO OF EXXON INTERNATIONAL'S PRESENT THREE CONTRACTS EXPIRE DECEMBER 31, 1973 AND THE OTHER MARCH 31, 1974. IF THE MIDDLE EAST EMBARGO SITUATION CHANGES, EXXON WILL MAKE OTHER ARRANGEMENTS TO MEET ITS CONTRACTUAL OBLIGATIONS.

Q10: WILL ESSO PROVIDE ANY MARINE TRANSPORTATION TO THE PNOC?

A10: YES. ESSO HAS AGREED TO ENTER INTO A CONTRACT OF AFFREIGHTMENT (COA) FOR CRUDE TONNAGE.

A11: WHAT IS THE COMPANY'S SITUATION THAT WOULD WARRANT SELLING ITS ASSETS IN THE PHILIPPINES?

A11: THE GOVERNMENT OF PHILIPPINES HAS INDICATED A DESIRE THAT A MAJOR PORTION OF THE PETROLEUM INDUSTRY BE IN THE HANDS OF FILIPINOS. YOU MAY RECALL THAT THE PHILIPPINE GOVERNMENT EARLIER PURCHASED GULF OIL'S INTEREST IN THE REFINERY THEN OWNED JOINTLY BY GULF AND FILOIL.

ESSO BELIEVED IT DESIRABLE TO SELL ITS FACILITIES AND

REFINING CAPACITY TO THE NATIONAL OIL COMPANY, AT A TIME WHEN THE NATIONAL COMPANY WAS INTERESTED IN DEVELOPING ITS OWN FACILITIES OF THAT TYPE.

ESSO BELIEVES IT MUST RECOGNIZE CHANGING TIMES AND EVENTS AND CONCENTRATE ITS INVESTMENTS WHERE THERE IS A NEED FOR THEM, AND WHERE ADEQUATE INVESTMENT RETURNS ARE OBTAINABLE. ADMITTEDLY, OUR OPERATIONS IN THE PHILIPPINES HAVE NOT BEEN FINANCIALLY SUCCESSFUL FOR A NUMBER OF YEARS DUE TO A VARIETY OF FACTORS WHICH WILL NOT NECESSARILY HINDER PNOC'S PERFORMANCE.

ACCORDINGLY, WE SINCERELY BELIEVE THIS SALE IS IN THE BEST INTEREST OF BOTH PARTIES TO THE SALE.

Q12: DOES ESSO LEAVE THE COUNTRY WITH ANY GRIEVANCES AGAINST THE PHILIPPINE GOVERNMENT?

A12: ON THE CONTRARY, THE NEGOTIATIONS LEADING TO THE SALE WERE CONDUCTED IN THE ATMOSPHERE OF OPENNESS AND MUTUAL RESPECT THAT HAS CHARACTERIZED OUR BUSINESS RELATIONSHIPS WITH THE GOVERNMENT THROUGHOUT OUR HISTORY IN THE PHILIPPINES. THE OUTCOME OF THESE NEGOTIATIONS INDICATESrecognition that the sale serves the best interest of both parties.

Q13: WAS THE RECENTLY CHANGED FORM OF THE FILIPINO GOVERNMENT A FACTOR IN YOUR DECISION TO SELL?

A13: NO.

Q14: WAS UNCERTAINTY ABOUT THE PROSPECTS AFTER EXPIRATION OF THE LAUREL-LANGLEY AGREEMENT A FACTOR IN YOUR DECISION TO SELL?

A14: THE DECISION ON BOTH SIDES WAS NOT AFFECTED BY THE EXPIRATION.

A15: ARE YOU AWARE IF ANY OTHER COMPANY OPERATING IN THE PHILIPPINES IS ABOUT TO TAKE A SIMILAR STEP?

A15: WE HAVE NO KNOWLEDGE OF ANY OTHER COMPANY THAT MAY BE ABOUT TO SELL ITS ASSETS TO THE PHILIPPINE GOVERNMENT.

Q16: AS A NEW ENTITY, DOESN'T PNOC NEED THE CONTINUED EXPERTISE THAT ESSO'S EMPLOYEES CAN BRING TO IT?

A16: THERE IS NO QUESTION BUT THAT ONE OF THE COMPANY'S MOST IMPORTANT ASSETS IS THE SKILLS, EXPERTISE AND EXPERIENCE OF ITS EMPLOYEES. ALTHOUGH THIS ASSET IS NOT ESSO'S IN THE SENSE THAT IT CAN BE SOLD, WE HOPE THAT THE COMPANY WILL CONTINUE TO DERIVE FULL BENEFIT FROM THE SERVICES OF ESSO'S WELL-TRAINED AND COMPETENT FILIPINO WORK FORCE.

Q17: WILL ALL EMPLOYEES CONTINUE THEIR EMPLOYMENT IN THIS NEW SET-UP?

A17: IT IS OUR UNDERSTANDING THAT THEY WILL.

Q18: ARE THE ESSO EMPLOYMENT CREDITS IN THE FORM OF RETIREMENT BENEFITS LOST TO THE EMPLOYEES AFFECTED? IF NOT, HOW AND WHEN WILL THEY BE CREDITED? WHAT WILL BE THE ARRANGEMENT IN THE FUTURE?

A18: THE TRANSACTION WILL HAVE NO EFFECT ON THE BENEFITS FOR WHICH PERSONS WHO HAVE ALREADY RETIRED ARE ELIGIBLE.

WITH RESPECT TO CURRENTLY ACTIVE EMPLOYEES, THE CORPORATE ENTITIES BY WHICH THEY ARE EMPLOYED WILL CONTINUE TO EXIST, AND IT IS OUR UNDERSTANDING THAT EXISTING BENEFIT PLANS, RELATED INSURANCE CONTRACTS AND PENSION AND TRUST INSTRUMENTS WOULD CONTINUE IN FORCE.

Q19: DO YOU THINK A GOVERNMENT-OWNED OIL COMPANY IN THE PHILIPPINES CAN BE SUCCESSFUL?

A19: WE BELIEVE THAT THE CONDITIONS WHICH CAUSED US TO SELL OUR BUSINESS DO NOT HAVE THE SAME IMPACT ON THE NEW OWNER. CONSEQUENTLY, THE COMPANY COULD BE QUITE SUCCESSFUL UNDER ITS NEW OWNERSHIP.

Q20: WHAT DO YOU EXPECT THE REACTION TO THIS TO BE IN OTHER COUNTRIES?

A20: IT IS IMPOSSIBLE FOR US TO SPEAK FOR OTHERS, AND IT WOULD BE IMPRUDENT TO MAKE ASSUMPTIONS AS TO HOW OTHERS MIGHT REACT. HOWEVER, WE HOPE THAT IN OTHER COUNTRIES THIS MOVE WILL BE SEEN AS PART OF A SINCERE EFFORT ON THE PART OF ESSO TO TAKE STEPS IN DIRECTIONS THAT SERVE BOTH THE INTERESTS OF ITS HOST GOVERNMENTS AND ITS OWN CORPORATE INTERESTS. IN THE PHILIPPINES, IT TURNED OUT THAT THESE INTERESTS WERE BEST SERVED BY THE SALE ANNOUNCED TODAY. WE HOPE IT WILL BE REALIZED THAT THE SITUATION IN EVERY COUNTRY IS UNIQUE.

Q21: IT HAS BEEN KNOWN FOR SOME TIME THAT ESSO IS NEGOTIATING SALE OF PART, OR ALL OF ITS ASSETS IN INDIA /SEMICOLON/ MORE RECENTLY IT WAS REPORTED THAT YOU ARE PULLING OUT OF CAMBODIA /SEMICOLON/ SOME TIME AGO YOU SOLD YOUR FERTILIZER BUSINESS IN THE PHILIPPINES. IS THIS A GENERAL WITHDRAWAL FROM THE FAR EAST.

A21: NO, IT IS NOT A GENERAL WITHDRAWAL. IT DOES REFLECT, HOWEVER, A RECOGNITION THAT COMPANIES LIKE ESSO MUST CHANGE WITH THE TIMES AND MAINTAIN THEIR FLEXIBILITY TO CONCENTRATE RESOURCES IN THOSE

TECHNICAL AND GEOGRAPHIC AREAS WHERE THEY CAN SERVE BOTH THE MARKETS OF THEIR HOST COUNTRIES AND THEIR SHAREHOLDER'S INTEREST IN A MUTUALLY SATISFACTORY WAY.

FOR DISCRETIONARY USE WITH EMPLOYEES QUOTE ESSO DOES NOT TAKE LIGHTLY ITS DEPARTURE FROM THE PHILIPPINES AFTER 40 YEARS OF OPERATIONS. THE DECISION RELATES TO AN ECONOMIC AND POLITICAL ENVIRONMENT UNIQUE TO THAT COUNTRY. IT DOES NOT INFLUENCE THE DESIRE OF ESSO TO OPERATE IN OTHER COUNTRIES.

RETURNS FROM ESSO'S OVERALL OPERATION IN THE PHILIPPINES HAVE BEEN INADEQUATE FOR SEVERAL YEARS, AND SINCE 1971 ESSO PHILIPPINES HAS BEEN IN A SERIOUS LOSS POSITION PRIMARILY AS A CONSEQUENCE OF REPEATED UNSUCCESSFUL REPRESENTATIONS TO THE PHILIPPINE GOVERNMENT FOR PRODUCT PRICE INCREASES ADEQUATE TO COVER INCREASED COSTS. DURING THIS PERIOD, OUR PHILIPPINE ORGANIZATION MADE REMARKABLE PROGRESS IN TIGHTENING CREDIT, REDUCING THE COMPANY'S TRADE RECEIVABLE POSITION, ELIMINATING DISCOUNTS, AND TAKING OTHER NECESSARY STEPS TO IMPROVE EFFICIENCY. UNFORTUNATELY, IT ULTIMATELY BECAME NECESSARY TO RELEASE APPROXIMATELY 10 PERCENT OF THE EMPLOYEES AS PART OF THE EFFORT TO REMAIN VIABLE. IN SPITE OF THESE SIGNIFICANT ACTIONS, IT BECAME CLEAR THAT THE COMPANY'S MOUNTING CURRENT AND PROJECTED FINANCIAL DIFFICULTIES COULD BE REMEDIED ONLY BY GOVERNMENT ALLOWING THE COMPANY PRICE RELIEF AT LEAST IN EQUAL MEASURE WITH CONTINUING COST INCREASES.

ADDITIONALLY, EVEN BEFORE 1971, THE LAWS AND DECISIONS OF THE PHILIPPINE GOVERNMENT MADE IT APPARENT TO US THAT INCLUSION IN OUR ENTERPRISE OF FILIPINO

OWNERSHIP INTERESTS - PRIVATE OR GOVERNMENT - WOULD BE DESIRABLE FOR THE LONG-TERM. WE WERE PREPARED TO ACCEPT LOCAL PARTNERS AND OFFERED TO LOCAL GROUPS AS MUCH AS 60 PERCENT OF THE EQUITY. NONE OF THESE EFFORTS AT PARTNERSHIP CAME TO FRUITION.

IN EARLY NOVEMBER, WE CONSULTED WITH THE PHILIPPINE PRESIDENT AND ADVISED HIM THAT BECAUSE OUR PRESENT AND PROJECTED FINANCIAL POSITION WAS UNTENABLE, WE WERE CONSIDERING A MAJOR RESTRUCTURING OF OUR INTERESTS IN THE PHILIPPINES BEGINNING IN 1974 IN SUCH A WAY AS TO REDUCE OUR PRESENCE. DISCUSSIONS BEGAN IMMEDIATELY FOR THE PURCHASE OF ESSO'S INTERESTS BY THE NEWLY CREATED PNOC. NEGOTIATIONS PROCEEDED QUICKLY, CULMINATING IN TODAY'S ANNOUNCEMENT.

(DDD) BACKGROUND NOTES

ALL REFERENCE TO PRICE IS DELETED FROM ANNOUNCEMENT. IT NOW APPEARS LIKELY, THAT NO REPEAT NO MENTION WILL BE MADE OF PRICE AND IF THIS IS THE CASE, SUGGEST YOU STICK TO ANSWER NUMBER ONE ABOVE. BBB GERONIMO A. VELASCO, NEW PRESIDENT OF PNOC WILL SIGN AGREEMENT. CCC PAYMENT AND SHARES WILL NOT BE EXCHANGED SIMULTANEOUSLY. DDD THE NEW NAME FOR ESSO PHILLIPINES INC. WILL BE PETROPHIL, INC.

EEE WHILE WE EXPECTED TO HAVE NAMES BY NOW, OFFICERS OF PETROPHIL HAVE NOT YET BEEN NAMED. FFF MANILA SUGGESTED WE NOT INDICATE THAT PNOC IS ATTACHED TO THE NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY (NEDA). REASON FOR THIS CHANGE UNKNOWN.